

**ARIZONA CORPORATION COMMISSION  
SPECIAL OPEN MEETING MINUTES**

**DATE:** October 30, 2003

**TIME:** 1:00 p.m.

**PLACE:** Arizona Corporation Commission, 1200 W. Washington St., Hearing Room,  
Phoenix, Arizona 85007

**ATTENDANCE:** Quorum of Commissioners. Chairman Spitzer, Commissioner Hatch-Miller, and Commissioner Gleason in attendance. See attendance list in Attachment 1.

**TOPIC: DSM WORKSHOP**

**MATTERS DISCUSSED:**

Barbara Keene of the Commission Staff welcomed the participants and gave a brief background on the Track B process and order that led to the DSM Workshop. DSM is demand-side management.

The first speaker was Jeff Schlegel of the Southwest Energy Efficiency Project (SWEET). His talk was entitled "Energy Efficiency in AZ: Potential Savings; Benefits and Costs; Policies and Programs." SWEET is a public interest organization that promotes energy efficiency in six western states. It is mostly funded by various foundations.

Mr. Schlegel described the problems of high electric load growth, which include upward pressure on electricity and natural gas prices, creation of new plant and transmission controversies, increased risk of power outages and reduction in electric reliability, increased use of water, and increased emissions. He gave a synopsis of SWEET's report "New Mother Lode" by comparing a base scenario to a high efficiency scenario. SWEET believes that it is possible to reduce Arizona's electric demand from 3 percent per year to 0.7 percent per year between 2003 and 2020 with DSM efforts. If such a goal were met, it would reduce electricity consumption by 34 percent in 2020 and would avoid the need for 6,000 MW of new power plant capacity.

SWEET recommends that Arizona set goals to reduce electricity use by 1 percent per year by conducting a broad range of energy efficiency programs, with opportunities for all customers to participate in and benefit from the programs. This effort would be funded at a 2 mill/kWh rate, providing Arizona Public Service (APS) with \$48 million and Tucson Electric Power (TEP) with \$18 million to implement the programs.

Next, Mr. Schlegel provided results from various DSM efforts in California, New England, and the Pacific Northwest. He also provided examples of DSM activities in Arizona. He also provided examples of various energy efficiency programs for different types of customers.

Ms. Terry Orlick of APS gave a presentation entitled "APS Demand Side Management Programming." She started with a history of the DSM efforts of APS. She defined "Market Transformation" (MT) and the APS Market Transformation strategy foundation. APS conducted

key research into DSM in the 1990s. They found that proper installation and operation are critical and that training and education are the key to success.

She described the MT Programs for existing homes, which included trade ally training, consumer education and technical assistance. This effort included the Qualified Contractor Program, through which APS trains over 500 HVAC service technicians each year. In the MT Programs for new homes, the Performance Built Home Program is the key effort. Part of this effort is the Building Science Training that is conducted in conjunction with the Arizona Energy Office. Over 500 hours of training has been conducted and over 1500 industry members have been trained. The thrust of the program is to improve construction practices. Evidence of market transformation was given. Phoenix leads the nation in heating/cooling guarantees. Duct leakage has been reduced from 14 percent to 3 percent. There is an estimated 50 percent saturation for low E windows and significant improvement in framing and insulation.

Next, Ms. Orlick described commercial and industrial MT programs. These include the Power Partners program which is a voluntary summer peak management program and the Institute for Facility Management Education.

Mr. Jack Blair of Sulphur Springs Valley Electric Cooperative (SSVEC) described SSVEC's energy efficiency and DSM programs. These include \$250 rebates for new efficient heat pumps (SEER 12 or above) and energy audits. SSVEC has the Touchstone Energy Home Program that replaces the old "Good Cents" program. There were 96 homes certified in 2002 in the program and so far in 2003 a total of 126 homes have been certified. Other programs mentioned were DSM weatherization and irrigation rates with load control.

Ms. Rebecca Chavez of Tucson Electric Power Company (TEP) gave a presentation of its DSM programs. She showed charts describing various programs sponsored by TEP from 1996-2003. On-line energy audits are available, but for those who don't have time to fill out a complete internet audit, TEP offers the Business Energy Fast Track audit. TEP is working to establish an Energy Library for customers in the first quarter of 2004. Ms. Chavez described various school education programs. These include "Insulation Station" for 4<sup>th</sup> graders, "Energy Patrol" for K-12 grades, and "In Concert with the Environment" for high schoolers.

Ms. Chavez next gave a presentation about UNS Electric's DSM programs. She showed charts describing various programs sponsored by UNS Electric (formerly Citizens Utilities) from 1996-2003. She indicated that the various programs are being evaluated.

Ms. Anita Hart of Southwest Gas gave a presentation about the DSM programs it has been providing. The Energy Advantage Plus Program (EA+) targets residential new construction. The program includes prescriptive standards, performance standards, and inspections. She showed various infrared photos to show problem areas. The Low Income Energy Conservation program (LIEC) is designed for income-qualified customers in need of weatherization. Southwest Gas has a DSM surcharge to recover pre-approved DSM costs.

The group discussed where to proceed with the next DSM Workshop. Commissioner Hatch-Miller suggested some avenues to explore: heating and cooling, commercial users, costs and benefits, low income weatherization (long waiting lists), the cost of a realistic DSM program, and the three best opportunities in each customer class. Mr. Schlegel listed the following opportunities: commercial cooling, equipment installation and sizing, maintenance, design assistance for new buildings, and contractor/vendor training for existing buildings. Mr. Hansen mentioned improvement in building envelopes as an opportunity.

The next DSM Workshop will be held in the morning of December 5, 2003. Suggested agenda topics are: (1) discussion of the criteria to determine the best opportunities, (2) comparison of actual utility DSM savings and cost numbers from recent history (Mr. Schlegel will prepare a standard form for the utilities to use.), (3) presentation by an ESCO representative, and (4) discussion of the three best opportunities in each customer class.

The Workshop concluded at approximately 5:00 p.m.

Barbara Keene and  
Ray Williamson, Utilities Division

Attendees at the DSM Workshop  
On October 30, 2003

Attendee	Organization
Chairman Marc Spitzer	Arizona Corporation Commission
Commissioner Mike Gleason	Arizona Corporation Commission
Commissioner Jeff Hatch-Miller	Arizona Corporation Commission
Rebecca Chavez	Tucson Electric Power/UNS Electric
Blaise Poole	El Paso Corp.
Jerry Thieken	Salt River Power
Charlie Gohman	Arizona Energy Office
Dennis Criswell	Arizona Electric Power Cooperative
Jana Brandt	Salt River Project
Romi Carrell Wittman	Arizona Electric Power Cooperative
Jeff Schlegel	SWEEP
Anita Hart	Southwest Gas
Cassius McChesney	Arizona Public Service
Karen Smith	Salt River Project
Barb Klemstine	Arizona Public Service
Bill Rigsby	RUCO
Jay Moyes	Moyes Storey
Linda Douglas	Tucson Electric Power
Jack Blair	Sulphur Springs Valley Electric Cooperative
Gary Blanchard	Salt River Project
Jeff Seaton	DEMA
Terry Orlick	Arizona Public Service
Anne Calhoun	Salt River Project
Erin Erben	Salt River Project
Tom Hansen	Tucson Electric Power
David Couture	Tucson Electric Power
Randy Sable	Southwest Gas
David Berry	Western Resource Advocates
Chuck Miessner	
Tom Mumaw	Arizona Public Service
Bill Meek	AUIA
Vivian Scott	Southwest Gas
Bill Wiley	Arizona Public Service
Mike McElrath	Phelps Dodge
Cindy Phillips	Salt River Project
Paul Li	Law Office of Bob Lynch
Chuck Skidmore	City of Scottsdale
Randy Despain	Maricopa County
Amanda Ormond	Ormond Group
John Wallace	Grand Canyon State Electric Cooperative Association
Ray Williamson	Arizona Corporation Commission Staff
Barbara Keene	Arizona Corporation Commission Staff